



OFFICE OF
INSURANCE COMMISSIONER

In the Matter of:

GOVERNMENT EMPLOYEES
INSURANCE COMPANY, GEICO
GENERAL INSURANCE COMPANY,
GEICO INDEMNITY COMPANY, and
GEICO CASUALTY COMPANY,

Authorized Insurers.

No. D 06 - 214

CONSENT ORDER
IMPOSING A FINE

FINDINGS OF FACT

1. Government Employees Insurance Company, GEICO General Insurance Company, GEICO Indemnity Company, and GEICO Casualty Company, (collectively "GEICO" or "Companies" hereafter) are affiliated insurance companies authorized to engage in the business of insurance in Washington by the Washington State Office of Insurance Commissioner ("OIC") pursuant to certificates of authority issued by the OIC.
2. Between June 10, 2004, and November 11, 2004, GEICO used an unfiled and unapproved insurance scoring model containing a credit history component to assign private passenger auto risks to particular GEICO Companies with differing rates which resulted in rate differences to insureds.
3. Between June 10, 2004, and November 11, 2004, GEICO issued and renewed 138,697 Washington policies of which approximately thirty percent were renewals of policies originally issued prior to GEICO's use of insurance scoring.
4. On November 12, 2004, GEICO removed the credit history component from its insurance scoring model and did not resume using an insurance scoring model containing a credit history component until it had submitted an appropriate insurance scoring model and rate filing to the OIC, including a multivariate analysis, to demonstrate that its rates were not excessive, inadequate, or unfairly discriminatory.

CONCLUSIONS OF LAW

1. Effective June 10, 2004, the Legislature revised RCW 48.19.035 to clarify that groups of affiliated insurers are required to file insurance scoring models with the OIC even if the only rate differences due to insurance scoring arise from the assignment of risks to different insurers within the group.

2. By using an insurance score to place personal automobile risks with different affiliates charging differing rates between June 10, 2004, and November 11, 2004, GEICO committed multiple violations of RCW 48.19.035 and WAC 284-24A-015(2).
3. RCW 48.05.185 authorizes the Commissioner to impose a fine in lieu of or in addition to the suspension or revocation of an insurer's certificate of authority.

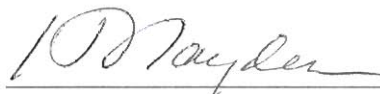
CONSENT TO ORDER

NOW, THEREFORE, GEICO consents to the following in consideration of its desire to resolve this matter without further administrative or judicial proceedings, and the Insurance Commissioner consents to settle the matter in consideration of GEICO's payment of a fine as set forth below.

1. GEICO consents to entry of this Order, acknowledges its duty to comply fully with the applicable laws of the State of Washington, and waives further administrative or judicial challenge to the OIC's actions related to the subject matter of this Order.
2. By agreement of the parties, the OIC will impose a fine of \$120,000 upon the Companies.
3. Failure to pay the fine set forth in paragraph two shall constitute grounds for the revocation of the Companies' certificates of authority and for the recovery of the full fine.

Executed this 19 day of June, 2006.

GOVERNMENT EMPLOYEES INSURANCE
COMPANY, GEICO GENERAL INSURANCE
COMPANY, GEICO INDEMNITY
COMPANY, and GEICO CASUALTY
COMPANY

By: 

Hank Nayden

Printed Name

Vice President and
Legislative Counsel

Printed Corporate Title

ORDER

NOW, THEREFORE, pursuant to the foregoing Findings of Fact, Conclusions of Law, and Consent to Order, the Insurance Commissioner hereby orders as follows:

1. Pursuant to RCW 48.05.185, the Insurance Commissioner hereby imposes a fine of \$120,000 upon the above-named GEICO Companies.
2. The Companies' failure to pay the fine within thirty days of the entry of this order shall result in the revocation of the Companies' certificates of authority and in the recovery of the fine amount through a civil action brought on behalf of the Insurance Commissioner by the Attorney General of the State of Washington.

ENTERED AT TUMWATER, WASHINGTON, this 29th day of June, 2006.

MIKE KREIDLER
Insurance Commissioner

By: Charles D. Brown
CHARLES D. BROWN
OIC Staff Attorney
Legal Affairs Division